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CENTRAL INTELLIGENCE AGENCY

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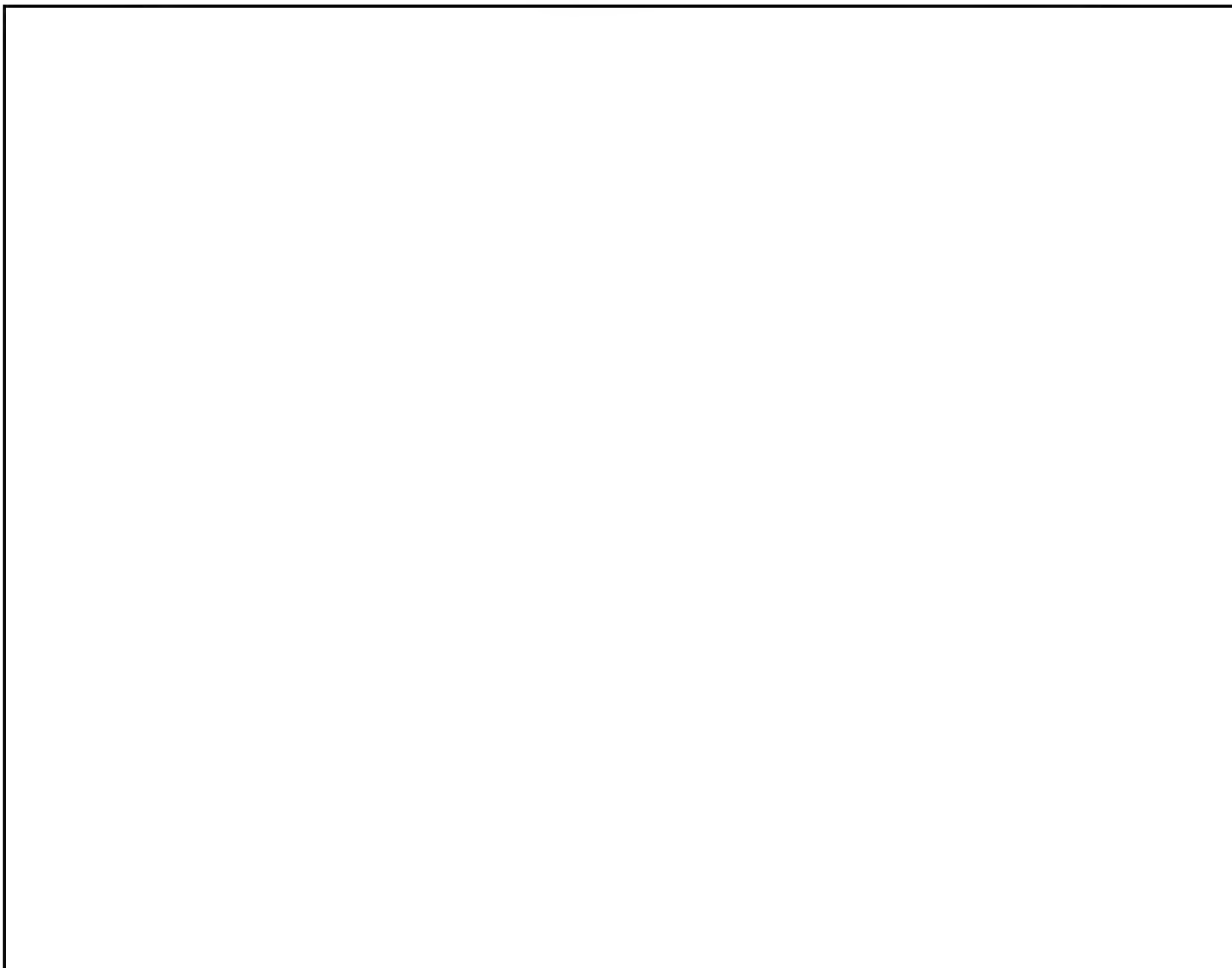
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GENERAL

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2. Nationalists press for vote on Chinese membership in UN:

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The Chinese Nationalist government wishes a substantive vote on the issue of Chinese membership in the United Nations at the forthcoming Ninth General Assembly, according to a memorandum received by the American embassy in Taipei. If a substantive vote is impossible, Formosa wants a procedural resolution without any mention of postponing consideration of the question and without a time limit.

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The memorandum also contained the results of a Nationalist canvass of UN members which concludes that Formosa is certain or almost certain of the support of 32 nations and has reason to be hopeful of the support of nine others. Eight nations are expected to abstain, while eleven will vote against Nationalist China.

Comment: It is probable that UN members, in replying to the Nationalist canvass, assumed that the United States would initiate a procedural maneuver to defer the issue, similar to that employed in the Eighth General Assembly, which agreed to postpone the question only for the remainder of 1953.

The procedural efforts on behalf of Formosa which have been undertaken ever since the 1950-51 General Assembly session probably would continue to have the support of a strong majority. On any stronger resolution, however, Formosa would probably lose the support of many of the nations, including the United Kingdom and France. It is also unlikely that the two-thirds majority necessary for a substantive vote to seat Communist China would be obtained. However, the propaganda advantage accruing to the Communist countries from the support they would pick up would be considerable.

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FAR EAST

4. Cambodian army disintegration feared:

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[redacted] fears the
[redacted] Cambodian army is disintegrating. He
told the American chargé in Phnom Penh

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on 18 August that Colonel Ngo Hou, the army's present chief, is
lazy, unintelligent, and uninformed about the problems facing his
army and spends all his time "politicking." [redacted] quoted
Major General Monireth, the king's uncle and a likely candidate
for army chief, to the effect that at the present rate the army would
have virtually disintegrated within three months.

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Comment: The Cambodian army reached
a high peak of morale and effectiveness last spring under the strong
leadership of Major General Tioulong. It inflicted a notable defeat
on Viet Minh regular units in the northeast, thus contributing to
Cambodia's diplomatic success at Geneva. The king subsequently
removed Tioulong, who he felt was becoming too independent.

With the cease-fire, there is a danger that
the Cambodians will regard their position as assured and allow their
army to revert to its earlier ineffectiveness.

LATIN AMERICA

5. Guatemala seeks American loan for public works:

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The Guatemalan government is seeking an
American loan of between \$10,000,000 and
\$30,000,000 to finance a public works

program it considers vital to the country's economic and political stability. The minister of communications and public works and the president of the national bank told Ambassador Peurifoy on 19 August that they hoped loan discussions could begin in about two weeks.

Comment: The inauguration of a public works program could do much to alleviate the current recession and prevent the growth of popular discontent which has been noted in recent weeks, particularly among the lower classes. The Arbenz regime budgeted over \$20,000,000 for public works in 1953 alone.

Though Guatemala's financial situation is not critical at present, government revenues have been only about half of normal since the June revolution. The government can cover normal currency needs by borrowing from the national bank, but it must look abroad for funds to finance any public works program in the near future.